



# Key Features of the Regular Savings Plan

No advice has been provided by Scottish Friendly in relation to this plan. If you are in any doubt as to whether this plan is suitable for you, you should contact a financial adviser for advice. If you do not have a financial adviser, you can get details of local financial advisers by visiting [www.unbiased.co.uk](http://www.unbiased.co.uk) Advisers may charge for providing such advice and should confirm any cost beforehand.

## Helping you decide

### What is the purpose of this document?

The Financial Services Authority is the independent financial services regulator. It requires us, Scottish Friendly, to give you this important information to help you to decide whether our tax-free & friendly Regular Savings Plan is right for you. You should read the document carefully so that you understand what you are buying, and then keep it safe for future reference.

### What questions should I ask before I invest?

In this document we have given you the answers to some important questions. You'll find these on pages 2 to 7.

### What should I do now?

Please read:

- this Key Features document
- the 'How we invest your money' guide.

Please keep both documents with your policy document which we will send you.

## Key Features of the Regular Savings Plan

### Its aims

To provide you with a lump sum after 10 years that is free of any tax charge for a higher or basic rate tax payer.

- To allow you to take advantage of your friendly society tax-free savings allowance and invest the first £25 per month of your investment in a tax efficient manner. This means growth will be free of income and capital gains tax and at the end of 10 years, your payout is free of tax.
- To provide a tax-free lump sum for your dependants should you die during the life of the plan.

### Your commitment

- You agree to pay your chosen regular investment amount for 10 years.
- You agree that the first £25 of every monthly premium will be invested tax-free and any excess will be invested on a tax paid basis, which means that Scottish Friendly automatically deducts any tax due on growth.

## Risks

- Your circumstances may change forcing you to cash in your Regular Savings Plan early, in which case you may not get back as much as you have paid in. This is particularly true in the early years where you will get back nothing if you cash in within the first 23 months.
- Your initial guaranteed minimum cash sum will protect some but not all of your total payments into the plan. This means, depending on future bonus rates, you could get back less than you have paid in.
- Future bonus rates will depend on investment performance and actual expenses and are not guaranteed.
- The tax treatment of your plan depends on your individual circumstances and the levels and basis of taxation may change in the future. This may reduce the amount you get back or increase the amount of tax you pay.

## Questions & answers

### Who should consider this plan?

You should consider this plan if you want to invest regular premiums over 10 years, and you are aged between 16 and 55 and living in the UK.

### What is the tax-free & friendly Regular Savings Plan?

The tax-free & friendly Regular Savings Plan is a 10 year with-profits plan, which allows your premiums to grow on a tax-free or tax paid basis.

The first £25 of each monthly contribution will be invested in a tax-free policy with the balance invested in a tax paid policy.

### What is the difference between tax-free and tax paid?

The tax-free proportion of your investment is invested free from all taxes on growth, other than taxes on dividends on UK shares which can't be reclaimed, just like an ISA.

Any investment you make above £25 a month will be invested on a tax paid basis. This means that Scottish Friendly will automatically deduct and then pay all the taxes due on the growth on this. In general this means that the premiums invested tax-free have the potential to grow faster than the premiums invested tax paid.

However, no matter how much you invest, your final lump sum payout is free of tax no matter if you are a higher or basic rate taxpayer.

## How does it work?

You select at the start how much you wish to pay in regularly for 10 years. In return, we guarantee to pay you a minimum amount (the guaranteed minimum cash sum) at the end of the life of your plan or on your death if earlier.

The guaranteed minimum cash sum will be less for older applicants.

When you invest in the Regular Savings Plan you will find that your guaranteed minimum cash sum is split between the amount from your tax-free premiums (i.e. those up to £25 per month) and the amount from your tax paid premiums (those over £25 per month if any).

Your tax-free and tax paid investments will be set up into two distinct policies to ensure that your premiums get the most efficient tax treatment.

Each year, we may declare a regular bonus on tax-free and tax paid policies, which is added to the respective guaranteed minimum cash sum. In addition a final bonus may be added to tax-free and tax paid policies along with the guaranteed benefits. Once added, a bonus cannot be taken away. Remember that the level of future bonus depends on investment performance and so cannot be guaranteed in advance. Also your benefits depend on you continuing the plan for its full term, paying all premiums due.

Your plan comes into force when your policy document is issued and your first premium is collected.

## How much can I pay in?

You can pay monthly premiums from £15. If you already use part of your friendly society tax-free savings allowance, either with us or with another society, the further payments that you can invest tax-free in a Regular Savings Plan will be restricted. You cannot make payments at all if you already use the whole of that allowance.

## What if I invest more than £30 a month?

If you choose to invest more than £30 a month, we will increase your guaranteed minimum cash sum, provided you make all your payments over 10 years. The effect of this increase will be to increase your overall payout after 10 years and it can significantly reduce the effect of charges. The amount your guaranteed minimum cash sum will be increased by is set out in the table below:

Monthly payment	Increase in guaranteed minimum cash sum
£30	£90
£40	£120
£50	£300

### **How is my money invested?**

Your premiums are invested in the Scottish Friendly With-Profits fund and you can find out more about this in the 'How we invest your money' guide contained within this pack. Please read this carefully.

### **What are the charges?**

As a traditional with-profits plan, the guaranteed minimum cash sum, and all bonus rates are calculated after the deduction of all charges. This means that the plan does not have any fixed or explicit charges. An example of the expected deductions for tax-free and tax paid investments over the life of the plan is given in the tables on page 6. These are best estimates, based on recent experience, and could vary in future.

### **Can I cash in my tax-free & friendly Regular Savings Plan?**

You may cash in your tax-free & friendly Regular Savings Plan at any time. However if you cash in within the first 23 months, you will get nothing back. If you cash in after the first 2 years, any return you get back may be less than the amount you have paid in. To cash in your tax-free & friendly Regular Savings Plan, you should write to Scottish Friendly at the address on page 8 of this booklet.

### **Can I stop paying the premiums?**

If you stop paying the premiums, we will tell you that your life cover will stop. This means we won't pay anything if you die before the end of the plan's life.

However you do have the flexibility to stop and miss payments for up to 12 months. Provided you restart your payments, and also pay back any of the payments you have missed, within a 12 month period your plan benefits will not be affected.

If you stop premiums for more than 12 months then we will reduce the payout you will receive at the end of your plan's life and not add any more bonuses.

Alternatively you can cash in your plan.

If you don't pay premiums for more than 12 months, you cannot start paying again and if you stop paying in the first 23 months, the plan will end and you won't get anything back.

### **What if I die during the life of the plan?**

If you die during the life of your plan, your estate, which may be liable to inheritance tax, will receive a tax-free payout equal to the plan's value at death.

The plan's value at death consists of the guaranteed minimum cash sum plus any bonuses that we have added.

If you die before the end of the life of your plan, we may need to contact your doctor for medical information.

### **How could the charges affect my investment?**

### What you might get back after 10 years

An example:

Investor – aged 40 next birthday

Duration of plan – 10 years

Monthly premium – £40 (split £25 on a tax-free basis and £15 on a tax paid basis)

Total invested – £4,800

Guaranteed minimum cash sum for tax-free premiums – £2,667

Guaranteed minimum cash sum for tax paid premiums – £1,600

Total guaranteed minimum cash sum – £4,267

#### Projected maturity values

	Tax-free premiums	Tax paid premiums	Total projected maturity values
	premiums	premiums	
Lower rate	£3,280	£1,940	£5,220
Middle rate	£3,440	£2,040	£5,480
Higher rate	£3,610	£2,140	£5,750

- The figures assume that your investments will grow each year by 4.75%, 5.75% and 6.75% for the lower, middle and higher rate for tax-free investments respectively. Tax paid investments are assumed to grow each year by 4%, 5% and 6% respectively.
- The difference between the growth rates on the tax-free and tax paid basis reflect the difference in the effect of tax.
- These figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What you get back depends on how your investment grows and on the tax treatment of the investment.
- You could get back more or less than this.
- The annual rates of growth for the illustration have been based on our reasonable estimate of potential returns and are lower than the maximum allowable investment growth assumptions. All the figures include the deduction of the actual charges assumed on the plan.
- Do not forget that inflation would reduce what you could buy in the future with the amounts shown.

The illustration below is based on a £40 monthly investment made up of £25 on a tax-free basis and £15 on a tax paid basis for an investor aged 40 next birthday.

WARNING: If you cash in during the early years of your plan, you could get back less than you have paid in.

### £25 per month on a tax-free basis

The last two columns assume that investments will grow at 5.75% a year.

At the end of year	Total paid in to date	Total actual deductions to date	Effect of deductions to date	What you might get back
	£	£	£	£
1	300	300	309	0
2	600	194	221	414
3	900	215	255	726
4	1,200	237	291	1,050
5	1,500	260	331	1,400
10	3,000	388	581	3,440

### £15 per month on a tax paid basis

The last two columns assume that investments will grow at 5% a year.

At the end of year	Total paid in to date	Total actual deductions to date	Effect of deductions to date	What you might get back
	£	£	£	£
1	180	180	184	0
2	360	90	104	273
3	540	101	121	461
4	720	113	139	657
5	900	126	158	862
10	1,800	195	278	2,040

### **What are the deductions for?**

The deductions include the cost of setting up your plan, expenses, life cover, any cash in charges and any other adjustments.

The last line in the table shows that, over the full duration of the plan, the effect of the total deductions could amount to £581 for the money invested on a tax-free basis and £278 for premiums invested on a tax paid basis.

Putting it another way, leaving out the cost of life cover, this would have the same effect as bringing the investment growth on the tax-free basis down from 5.75% to 2.95% a year and on the tax paid basis down from 5% to 2.8% a year.

The deductions shown in this guide are best estimates and are based on current experience. They could vary in the future.

### **Can I change my mind?**

Within your welcome pack, you'll receive notice of your right to change your mind and how to cancel. You'll then have 30 days to cancel your investment and we'll provide instructions letting you know how to do this. If you decide to cancel within the period, we'll give you your money back.

### **What happens if Scottish Friendly becomes insolvent?**

If you buy a Scottish Friendly Regular Savings Plan and we cannot pay the full amount due, you may be entitled to compensation under the Financial Services Compensation Scheme. The maximum level of compensation for claims against firms declared in default is 90% of the claim with no upper limit.

You can get further information from the Financial Services Compensation Scheme at: Financial Services Compensation Scheme, 7th Floor, Lloyds Chambers, Portsoken Street, London E1 8BN. Tel 0800 678 1100. [www.fscs.org.uk](http://www.fscs.org.uk)

### **What about tax?**

All premiums paid on a tax-free basis are invested free of income and corporation tax (other than tax on dividends from UK shares). All premiums invested on a tax paid basis are subject to income and corporation tax which is paid by Scottish Friendly. When your plan comes to an end, your payout is normally free of income and capital gains tax. However, you may have to pay tax if you stop paying premiums (see page 4) and/or you subsequently cash in your plan before the end of your plan's life.

All references to taxation are to UK taxation and are issued on the basis of Scottish Friendly's understanding of current tax law and practice. The tax treatment of your plan depends on your individual circumstances and the levels and basis of taxation may change in the future.

## **How to contact us**

Here are our contact details if you need to ask us anything: Scottish Friendly Assurance Society Limited, Scottish Friendly House, 16 Blythswood Square, Glasgow G2 4HJ. Tel: 0333 323 5433\*.

\*Calls cost no more than calls to numbers starting with 01 or 02 and if you are calling from a mobile phone, calls will count towards any inclusive minutes you have rather than being charged separately.

## **Other information**

### **Your client category**

We are required to categorise our clients and this determines the level of detail and information that you will receive. We will treat you as a 'Retail Client' in respect of the services we will provide you, which means that you will benefit from the highest level of consumer protection.

### **How to complain**

If you wish to complain about any aspect of the service you have received, please contact us. Details can be found in the 'How to contact us' section.

If you are not satisfied with our response to your complaint, you can contact the Financial Ombudsman Service at: Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR. Tel: 0800 023 4567 (free from a UK landline) or 0300 123 9123 (free for mobile users who pay a monthly charge for calls to numbers starting 01 or 02).

Making a complaint won't affect your legal rights.

### **Language and law**

The contractual terms and conditions and all communications in relation to this plan will be supplied in English.

In legal disputes, the law of Scotland will apply.

This booklet is a guide to the key features of the product. Further details are contained in the policy document which is evidence of the legally binding contract between you and Scottish Friendly Assurance Society Limited.

### **The society**

Scottish Friendly was founded in 1862 (formerly The City of Glasgow Friendly Society) and is an incorporated friendly society under the Friendly Societies Act 1992, registered in the United Kingdom at the address on the back of this booklet. Scottish Friendly's total funds under management are over £800 million (as at 31/12/10).



## **Rules of the society**

You can ask Scottish Friendly for a copy of the rules of the society.

## **The Direct Debit Guarantee**

This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits.

If there are any changes to the amount, date or frequency of your Direct Debit Scottish Friendly will notify you 5 working days in advance of your account being debited or as otherwise agreed. If you request Scottish Friendly to collect a payment, confirmation of the amount and date will be given to you at the time of the request.

If an error is made in the payment of your Direct Debit, by Scottish Friendly or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society.

If you receive a refund you are not entitled to, you must pay it back when Scottish Friendly asks you to.

You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

Scottish Friendly Assurance Society Limited,  
Scottish Friendly House,  
16 Blythswood Square,  
Glasgow G2 4HJ.

**[www.scottishfriendly.co.uk](http://www.scottishfriendly.co.uk)**

Authorised and regulated by the Financial  
Services Authority. Details can be found on  
the FSA register – Registration No. 110002.  
Member of ABI and AFM.

